Ehlanzeni District Municipality
Annual Financial Statements
for the year ended 30 June 2019

General Information

Mayoral committee	
Executive Mayor	J Sidell
Speaker	RE Khumalo
Chief Whip	EIT Shabangu
Mayoral committee	MJ Mavuso
	MJ Mnisi
	MR Shongwe
	M Nkuna
	MC Masilela (Resigned 20/05/2019)
	TR Manyisa
	MJ Morema
	S Mashigo-Sekgobela (Appointed 01/06/2019)
Councillors	GP Mkhombo
	ET Mkhabela
	M Chembeni-Sahi
	DL Masilela
	LC Shakwane
	TB Sibuyi
	G Mashile
	V Malatjie
	KC Chuene
	NC Khoza
	E Mashele
	M Mahlangu
	LP Mbambo
	ML Mkhabela
	NV Mathobela
	LE Khoza
	GN Mogiba
	HP Thovhakgale
	TE Masilela
	JH Ligthelm
	MS Phelephe
	LS Mhaule
	ED Malele
	G Mathebula
	ET Mashile
	GP Raphiri
	ML Mnisi
	NP Thabane
	DM Khoza
	BC Shongwe
	SL Mkhatshwa
	SD Mokone
	TM Mthombo
	LT Vuma
	PC Luphoko
	P Gubayi
	MJ Hlophe
	AS Mthunywa (Resigned 31/05/2019)

General Information

	JJ Khoza PP Mbowane TM Charles LT Mlombo NL Lukhele JB Mashaba TG Mabuza PCW Minaar TMJ Grove-Morgan (Resigned 31/05/2019) S Van Der Merwe GM Nkambule M Mbewe (Resigned 31/07/2018) SP Mathonsi JM Mkhatshwa CS Nxumalo MF Nkadimeng MW Nkhata
Grading of local authority	5
Municipal demarcation code	DC32
Accounting Officer	FS Siboza
Chief Financial Officer	PO Mokoena
Registered office	8 Van Niekerk Street Mbombela Mpumalanga 1200
Postal address	P O Box 3333 Mbombela Mpumalanga 1200
Bankers	First National Bank Limited
Auditors	Auditor General South Africa
Attorneys	VF Mokoena Attorneys Singwane & Partners Attorneys Matsane Attorneys

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

The following supplementary information does not form part of the annual financial statements and is unaudited:

Appendixes:

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (Act 56 of 2003) and Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 75, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019.

FS Siboza
Accounting Officer

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current Assets			
Inventories	5	14,558,468	10,428,552
Investments	7	459,175	616,430
Receivables from exchange transactions	4	2,194,519	296,009
VAT receivable	6	4,295,381	3,593,335
Cash and cash equivalents	3	89,597,263	84,490,460
		111,104,806	**99,424,786**
Non-Current Assets			
Property, plant and equipment	8	204,594,341	209,877,673
Intangible assets	10	3,889,579	4,533,783
Investments	7	4,479,350	4,015,712
		212,963,270	**218,427,168**
Total Assets		**324,068,076**	**317,851,954**
Liabilities			
Current Liabilities			
Short term portion of long term liabilities	12	7,013,598	6,325,860
Finance lease obligation	13	461,602	-
Payables from exchange transactions	9	23,293,876	26,365,979
Provisions	11	8,474,556	7,603,733
		39,243,632	**40,295,572**
Non-Current Liabilities			
Long term liabilities	12	123,341,089	130,355,083
Finance lease obligation	13	693,533	-
Provisions	11	29,556,544	27,818,000
		153,591,166	**158,173,083**
Total Liabilities		**192,834,798**	**198,468,655**
Net Assets		**131,233,278**	**119,383,299**
Accumulated surplus		131,233,278	119,383,299

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Operational income	34	1,770,637	620,132
Rental of facilities and equipment	34	382,361	208,292
Interest received	32	8,568,988	9,288,323
Dividends received	34	143,046	132,959
Revenue from non-exchange transactions			
Government grants & subsidies	14	246,014,993	238,223,696
Total revenue		**256,880,025**	**248,473,402**
Expenditure			
Employee related cost	15	(128,084,226)	(117,307,971)
Remuneration of councillors	16	(15,973,839)	(15,543,876)
Audit fees	22	(2,820,971)	(2,400,114)
Depreciation and amortisation	17	(9,716,268)	(9,204,377)
Provision for bad debts		(281,243)	-
Finance costs	18	(18,137,479)	(18,859,950)
Repairs and maintenance	19	(2,653,787)	(2,240,374)
Contracted services	20	(1,236,018)	(1,266,785)
Grants and subsidies	21	(15,966,905)	(23,535,781)
Operational expenses	23	(53,553,302)	(45,167,155)
Total expenditure		**(248,424,038)**	**(235,526,383)**
Operating surplus		**8,455,987**	**12,947,019**
Loss on disposal of assets		(101,162)	(9,906)
Gain on fair value adjustment	7	463,638	302,024
Actuarial gain	11	2,925,000	5,533,000
Surplus for the year		**11,743,463**	**18,772,137**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017	**100,755,950**	**100,755,950**
Changes in net assets		
Prior period adjustments	(144,788)	(144,788)
Net income (losses) recognised directly in net assets	(144,788)	(144,788)
Surplus for the year	18,772,137	18,772,137
Total recognised income and expenses for the year	18,627,349	18,627,349
Total changes	18,627,349	18,627,349
Balance at 01 July 2018	**119,383,299**	**119,383,299**
Changes in net assets		
Surplus for the year	11,743,463	11,743,463
Prior period adjustments	106,516	106,516
Total changes	11,849,979	11,849,979
Balance at 30 June 2019	**131,233,278**	**131,233,278**

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
SARS		8,737,211	7,319,037
Grants		246,014,993	238,223,696
Interest received		8,536,437	9,876,644
Dividends received		143,046	132,959
Other receipts		41,601,468	2,923,547
		305,033,155	258,475,883
Payments			
Employee costs		(147,547,215)	(136,759,922)
Suppliers		(89,382,853)	(84,151,358)
Finance costs		(15,083,420)	(15,688,946)
Other payments		(38,958,053)	(8,158,034)
		(290,971,541)	(244,758,260)
Net cash flows from operating activities	24	**14,061,614**	**13,717,623**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(1,933,624)	(2,035,550)
Proceeds from sale of property, plant and equipment		6,700	150,223
Purchase of intangible assets	10	(513,882)	(469,139)
Movement in investments		189,799	70,587,525
Net cash flows from investing activities		**(2,251,007)**	**68,233,059**
Cash flows from financing activities			
Repayment of long-term liabilities		(6,326,256)	(5,677,704)
Finance lease payments		(377,548)	-
Net cash flows from financing activities		**(6,703,804)**	**(5,677,704)**
Net increase/(decrease) in cash and cash equivalents		**5,106,803**	**76,272,978**
Cash and cash equivalents at the beginning of the year		84,490,460	8,217,482
Cash and cash equivalents at the end of the year	3	**89,597,263**	**84,490,460**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Operational income	800,000	500,000	**1,300,000**	1,770,637	**470,637**	Note 38.1
Rental of facilities and equipment	150,000	112,451	**262,451**	382,361	**119,910**	Note 38.2
Interest received	8,500,000	(2,000,000)	**6,500,000**	8,568,988	**2,068,988**	Note 38.3
Dividends received	140,000	-	**140,000**	143,046	**3,046**	
Total revenue from exchange transactions	**9,590,000**	**(1,387,549)**	**8,202,451**	**10,865,032**	**2,662,581**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	245,801,000	-	**245,801,000**	246,014,993	**213,993**	
Total revenue	**255,391,000**	**(1,387,549)**	**254,003,451**	**256,880,025**	**2,876,574**	
Expenditure						
Employee related cost	(133,250,793)	1,076,108	**(132,174,685)**	(128,084,226)	**4,090,459**	Note 38.4
Remuneration of councillors	(15,975,321)	(447,045)	**(16,422,366)**	(15,973,839)	**448,527**	
Audit fees	(3,354,000)	-	**(3,354,000)**	(2,820,971)	**533,029**	Note 38.5
Depreciation and amortisation	(12,141,399)	-	**(12,141,399)**	(9,716,268)	**2,425,131**	Note 38.6
Provision for bad debts	-	(9,000)	**(9,000)**	(281,243)	**(272,243)**	
Finance costs	(14,850,540)	(44,200)	**(14,894,740)**	(18,137,479)	**(3,242,739)**	Note 38.7
Repairs and maintenance	(4,005,035)	(302,454)	**(4,307,489)**	(2,653,787)	**1,653,702**	Note 38.8
Contracted services	(1,353,485)	(100,000)	**(1,453,485)**	(1,236,018)	**217,467**	Note 38.9
Grants and subsidies	(29,052,000)	1,888,791	**(27,163,209)**	(15,966,905)	**11,196,304**	Note 38.10
Operational expenses	(59,004,461)	(1,540,791)	**(60,545,252)**	(53,553,302)	**6,991,950**	Note 38.11
Total expenditure	**(272,987,034)**	**521,409**	**(272,465,625)**	**(248,424,038)**	**24,041,587**	
Operating surplus	**(17,596,034)**	**(866,140)**	**(18,462,174)**	**8,455,987**	**26,723,443**	
Loss on disposal of assets	-	-	**-**	(101,162)	**(101,162)**	38.20
Gain on fair value adjustment	-	-	**-**	463,638	**463,638**	Note 38.7
Actuarial gain	-	-	**-**	2,925,000	**2,925,000**	Note 38.7
	-	**-**	**-**	**3,287,476**	**3,287,476**	
Surplus/(deficit) for the year	**(17,596,034)**	**(866,140)**	**(18,462,174)**	**11,743,463**	**30,205,637**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	350,000	-	**350,000**	14,558,468	**14,208,468**	Note 38.10
Investments	581,580	-	**581,580**	459,175	**(122,405)**	Note 38.12
Receivables from exchange transactions	-	-	**-**	2,194,519	**2,194,519**	Note 38.19
VAT receivable	3,079,297	-	**3,079,297**	4,295,381	**1,216,084**	Note 38.13
Cash and cash equivalents	52,300,677	-	**52,300,677**	89,597,263	**37,296,586**	Note 38.12
	56,311,554	**-**	**56,311,554**	**111,104,806**	**54,793,252**	
Non-Current Assets						
Property, plant and equipment	230,115,881	(1,038,791)	**229,077,090**	204,594,341	**(24,482,749)**	Note 38.6
Intangible assets	8,792,191	(850,000)	**7,942,191**	3,889,579	**(4,052,612)**	Note 38.6
Investments	4,251,801	-	**4,251,801**	4,479,350	**227,549**	Note 38.12
	243,159,873	**(1,888,791)**	**241,271,082**	**212,963,270**	**(28,307,812)**	
Total Assets	**299,471,427**	**(1,888,791)**	**297,582,636**	**324,068,076**	**26,485,440**	
Liabilities						
Current Liabilities						
Long term liabilities	6,545,365	-	**6,545,365**	7,013,598	**468,233**	Note 38.14
Finance lease obligation	-	-	**-**	461,602	**461,602**	Note 38.18
Payables from exchange transactions	28,016,221	-	**28,016,221**	23,293,876	**(4,722,345)**	Note 38.15
Provisions	34,562,674	-	**34,562,674**	8,474,556	**(26,088,118)**	Note 38.22
	69,124,260	**-**	**69,124,260**	**39,243,632**	**(29,880,628)**	
Non-Current Liabilities						
Long term liabilities	130,700,182	-	**130,700,182**	123,341,089	**(7,359,093)**	Note 38.14
Finance lease obligation	-	-	**-**	693,533	**693,533**	Note 38.18
Provisions	-	-	**-**	29,556,544	**29,556,544**	Note 38.22
	130,700,182	**-**	**130,700,182**	**153,591,166**	**22,890,984**	
Total Liabilities	**199,824,442**	**-**	**199,824,442**	**192,834,798**	**(6,989,644)**	
Net Assets	**99,646,985**	**(1,888,791)**	**97,758,194**	**131,233,278**	**33,475,084**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	99,646,985	(1,888,791)	**97,758,194**	131,233,278	**33,475,084**	Note 38.16

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	245,801,000	-	**245,801,000**	246,014,993	**213,993**	
Interest income	8,500,000	(2,000,000)	**6,500,000**	8,536,437	**2,036,437**	Note 38.3
Dividends received	140,000	-	**140,000**	143,046	**3,046**	
Other receipts	950,000	612,451	**1,562,451**	50,338,679	**48,776,228**	Note 38.1
	255,391,000	**(1,387,549)**	**254,003,451**	**305,033,155**	**51,029,704**	
Payments						
Supplier and employee costs	(216,943,095)	(1,323,182)	**(218,266,277)**	(259,921,216)	**(41,654,939)**	Note 38.4 & 38.11 & 38.23
Finance costs	(14,850,540)	(44,200)	**(14,894,740)**	(15,083,420)	**(188,680)**	
	(231,793,635)	**(1,367,382)**	**(233,161,017)**	**(275,004,636)**	**(41,843,619)**	
Net cash flows from operating activities	**23,597,365**	**(2,754,931)**	**20,842,434**	**30,028,519**	**9,186,085**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(2,600,000)	38,791	**(2,561,209)**	(1,933,624)	**627,585**	
Purchase of intangible assets	(500,000)	(150,000)	**(650,000)**	(513,882)	**136,118**	Note 39.14
Movement in investments	-	-	**-**	189,799	**189,799**	
Proceeds from sale of assets	-	-	**-**	6,700	**6,700**	
Decrease/(Increase) other non-current assets	(25,952,000)	2,000,000	**(23,952,000)**	(15,966,905)	**7,985,095**	Note 38.10
Net cash flows from investing activities	**(29,052,000)**	**1,888,791**	**(27,163,209)**	**(18,217,912)**	**8,945,297**	
Cash flows from financing activities						
Finance lease payments	-	-	**-**	(377,548)	**(377,548)**	Note 38.18
Repayment of long term liabilities	(6,545,365)	-	**(6,545,365)**	(6,326,256)	**219,109**	Note 38.14
Net cash flows from financing activities	**(6,545,365)**	**-**	**(6,545,365)**	**(6,703,804)**	**(158,439)**	
Net increase/(decrease) in cash and cash equivalents	(12,000,000)	(866,140)	**(12,866,140)**	5,106,803	**17,972,943**	
Cash and cash equivalents at the beginning of the year	84,490,460	-	**84,490,460**	84,490,460	**-**	
Cash and cash equivalents at the end of the year	**72,490,460**	**(866,140)**	**71,624,320**	**89,597,263**	**17,972,943**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements meets the requirements of the Municipal Regulations on a Standard Chart of Accounts (mSCOA).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand. All values have been rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables /Investments and/or other financial assets

The municipality assesses its trade receivables, investments and other financial assets for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, investments and other financial assets is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable service amounts of non-cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including, together with economic factors such as inflation interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Useful lives

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges. This estimate is based on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On receivables an impairment loss is recognised in the statement of financial performance when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Initial recognition

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

1.2 Property, plant and equipment (continued)

Derecognition

Property, plant and equipment is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of Property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Depreciation and impairment

The residual value, and the useful life and depreciation method of each asset is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality tests property, plant and equipment with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Land	Indefinite
Buildings	50 years
Plant and equipment	5 - 10 years
Furniture and fixtures	5 - 10 years
Motor vehicles	5 - 20 years
Office equipment	3 - 10 years
Air conditioners	15 - 30 years

1.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.3 Intangible assets (continued)

Initial recognition

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
• the municipality intends to complete the intangible asset for use or sale;
• it is technically feasible to complete the intangible asset;
• the municipality has the resources to complete the project; and
• it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 - 10 years

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

1.4 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability other than those subsequently measured at fair value initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with the terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

1.4 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Accounting Policies

1.5 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.6 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Work in progress is recognised at cost and not depreciated. It includes all costs incurred in bringing the ultimate assets to their condition and location as intended by management.

Work in progress will be transferred to property, plant and equipment when the assets are available for use.

Work in progress relating to projects on behalf of other entities will be transferred to the specific entity when the assets are available for use.

1.7 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.7 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one municipality, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned.

1.8 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an entity (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.8 Employee benefits (continued)

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

1.8 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.9 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If a municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.9 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when a municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Contingencies are disclosed in note 27.

1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, commission and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.10 Revenue from exchange transactions (continued)

Interest and dividends

Revenue arising from the use by others of municipality's assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.11 Revenue from non-exchange transactions (continued)

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are recognised as assets and the related revenue recognised when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.12 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number and 1.7. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.15 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.19 Value Added Tax

The municipality accounts for VAT on the payment basis.

1.20 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the Statement of Financial Performance and the budget for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Accounting Policies

1.22 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.23 Capital commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)

IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements..

The impact of the amendment is immaterial.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements..

The impact of the amendment is immaterial..

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

2. New standards and interpretations (continued)

General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements..

The impact of the amendment is immaterial.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB’s Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB’s recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements..

The impact of the amendment is immaterial.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB’s Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB’s recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements..

The impact of the amendment is immaterial.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB’s Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements..

The impact of the amendment is immaterial.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements..

The impact of the amendment is immaterial.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements..

The impact of the amendment is immaterial.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that:
(a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making;
(b) using fair value in certain instances was inappropriate; and
(c) some of the existing accounting requirements were seen as too rules based.

As a result, the IASB amended its existing Standards to deal with these issues. The IASB issued the IFRS Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to the IFRS Standard on Financial Instruments: Presentation (IAS 32) and the IFRS Standard on Financial Instruments: Disclosures (IFRS 7). The IPSASB issued revised IPSASs in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- financial guarantee contracts issued;
- loan commitments issued;
- classification of financial assets;
- amortised cost of financial assets;
- impairment of financial assets; and
- disclosures.

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of this standard is currently being assessed.

Guideline on Accounting for Landfill Sites

The Constitution of the Republic of South Africa, gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology and References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The impact of this standard is currently being assessed.

2. New standards and interpretations (continued)

Guideline on the Application of Materiality to Financial Statements

The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP and References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The impact of this standard is currently being assessed.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB’s Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity should apply judgement based on past experience and current facts and circumstances in the identification of significant accounting policies.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020/2021 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 34: Separate Financial Statements

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is for years beginning after 1 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:
- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers: definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

The effective date of the standard is for years beginning after 1 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers: definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

The effective date of the standard is for years beginning after 1 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers: definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning after 1 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:
- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers: definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

The effective date of the standard is for years beginning after 1 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020/2021 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

An entity should apply judgement based on past experience and current facts and circumstances in determining the amount of revenue to be recognised.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this Guideline: Entities in the public sector are frequently involved in the construction of houses as part of government’s housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act (Act No. 107 of 1997) provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality expects to adopt the guideline for the first time in the 2019/2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of ‘minority interest’ has been amended to ‘non-controlling interest’, and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010.

An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24.

An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52.

An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Directive 7 (revised): The Application of Deemed Cost

This Directive was originally issued by the ASB in December 2009. Since then, it has been amended by:

- Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:
  - GRAP 105 Transfer of Functions Between Entities Under Common Control;
  - GRAP 107 Mergers.

- Consequential amendments arising from GRAP 110 Living and Non-living Resources issued in December 2017.
- Consequential amendments arising from the following Standards of GRAP in May 2018:
  - GRAP 34 Separate Financial Statements;
  - GRAP 35 Consolidated Financial Statements;
  - GRAP 36 Investments in Associates and Joint Ventures;
  - GRAP 37 Joint Arrangements;
  - GRAP 38 Disclosure of Interests in Other Entities.

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

The effective date of this revised directive is for years beginning on or after 01 April 2019 as far as the amendments relate to GRAP 105 and 107 and 01 April 2020 as far as the amendments relate to GRAP 110, 34-38.

The municipality expects to adopt the directive for the first time in the 2019/2020 annual financial statements.

2. New standards and interpretations (continued)
It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 1 April 2020

The municipality expects to adopt the standard for the first time in the 2010/2020 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 20: Related parties

The objective of this Standard is to ensure that a reporting entity’s annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Standard elaborates on the definitions and identification of:
- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The Standard sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106 (as amended 2016): Transfers of Functions Between Entities not Under Common Control

The subsequent amendments to the Standard resulted from changes made to IFRS 3 on Business Combinations as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:
- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2019.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements..

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP 11: Consolidation – Special Purpose Entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity (‘SPE’) may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (i.e. they operate on so-called ‘autopilot’). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties (‘capital providers’) may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE’s activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE’s activities, even though it may own little or none of the SPE’s net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This Interpretation does not apply to postemployment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to a SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation may mean that the entity should consolidate the SPE. This Interpretation does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.
It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 12: Jointly Controlled Entities – Non-monetary Contributions by Ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: ‘When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction’. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that ‘a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest’. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities (‘JCEs’).

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE (‘additional consideration’).

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation deals with the venturer’s accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of this interpretation is currently being assessed.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

What is the obligating event that gives rise to the recognition of a liability to pay a levy?

Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?

Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?

Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?

What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;

An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;

The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;

If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and

An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 20: Accounting for Adjustments to Revenue

As per the background to this Interpretation, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The Interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Cash on hand	4,000	4,000
Bank balances	89,593,263	84,486,460
	89,597,263	**84,490,460**

The municipality had the following bank accounts

Account number / description	Cash Book and Bank Statement balances		
	30 June 2019	**30 June 2018**	**30 June 2017**
FNB Nelspruit Cheque account - 62 113 491 419 (Primary bank account)	85,534,827	72,933,909	4,025,407
Standard Bank Nelspruit Cheque account - 63395622	4,055,169	11,549,284	4,184,808
Standard Bank Nelspruit Cheque account - 273226703	3,267	3,267	3,267
Total	**89,593,263**	**84,486,460**	**8,213,482**

4. Receivables from exchange transactions

	2019	2018
Trade and other receivables	304,805	296,009
Implementing agent receivables	1,889,714	-
	2,194,519	**296,009**

Trade and other receivables

2019	**Gross balance**	**Allowance for debt impairment**	**Total**
Other receivables	735,804	(430,999)	304,805

2018	**Gross balance**	**Allowance for debt impairment**	**Total**
Other receivables	595,933	(299,924)	296,009

Trade and other receivables: Ageing

	2019	2018
Current	61,999	235,540
30+ days	22,417	3,714
60+ days	199,515	3,714
90+ days	-	3,714
120+ days	1,977	3,714
365+ days	18,897	45,613

Trade and other receivables impaired

	2019	2018
90+ days	(37,698)	-
365+ days	(393,301)	(299,924)

Reconciliation of provision for impairment of trade and other receivables

	2019	2018
Opening balance	(299,924)	(418,207)
Provision for impairment	(272,343)	-
Amounts written off as uncollectible	141,268	118,283
	(430,999)	**(299,924)**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

4. Receivables from exchange transactions (continued)

The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above. The municipality does not hold any collateral as security.

The fair value of trade and other receivables approximates their carrying amounts.

5. Inventories

	2019	2018
Work in progress	14,368,199	10,256,447
Consumable stores	190,269	172,105
	14,558,468	**10,428,552**

	2019	2018
Consumables		
Opening balance	172,105	327,339
Additions	1,172,785	1,297,043
Issued	(1,136,456)	(1,351,237)
Inventory adjustment	(18,165)	(101,040)
Closing balance	**190,269**	**172,105**

Inventories comprise of office stationery.

Reconciliation of work in progress 2019

	Opening balance	Additions	Transfers	Closing balance
Work in progress - projects for local municipalities	10,256,447	18,547,393	(14,435,641)	14,368,199

Reconciliation of work in progress 2018

	Opening balance	Additions	Transfers	Closing balance
Work in progress - projects for local municipalities	1,978,953	21,163,173	(12,885,679)	10,256,447

Appointment of contractors in the last quarter of the financial year resulted in some projects not being completed by year end.Once the projects are completed it will be transferred to respective local municipalities.

6. VAT receivable

	2019	2018
VAT refundable	4,295,381	3,593,335

7. Investments

	2019	2018
Fixed deposits	459,175	616,430
Listed investments	4,479,350	4,015,712
	4,938,525	**4,632,142**

Reconciliation of Sanlam Shares

	2019	2018
Opening balance	4,015,712	3,713,688
Fair value adjustment	463,638	302,024
Closing balance	**4,479,350**	**4,015,712**

7. Investments (continued)

Sanlam listed investments are disclosed at current market value of shares at reporting date. The municipality's risk is that the share price of listed investments might devalue significantly during the period under review and result in a substantial loss of the investment. The share price risk is managed by only investing in reputable listed entities with a good track record.

There is a limited general cession on the ABSA fixed deposit account for R120,000.

8. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	8,103,054	-	8,103,054	8,103,054	-	8,103,054
Buildings	234,900,729	(49,870,540)	185,030,189	234,900,729	(44,305,689)	190,595,040
Furniture and fixtures	9,802,190	(7,641,631)	2,160,559	9,631,261	(7,131,794)	2,499,467
Motor vehicles	7,166,054	(4,473,698)	2,692,356	6,799,183	(3,784,367)	3,014,816
Office equipment	28,689,680	(22,868,826)	5,820,854	26,648,469	(21,704,130)	4,944,339
Plant and equipment	2,952,603	(2,165,274)	787,329	2,733,714	(2,012,757)	720,957
Total	**291,614,310**	**(87,019,969)**	**204,594,341**	**288,816,410**	**(78,938,737)**	**209,877,673**

Reconciliation of property, plant and equipment - 2019

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	8,103,054	-	-	-	8,103,054
Buildings	190,595,040	-	-	(5,564,851)	185,030,189
Furniture and fixtures	2,499,467	174,086	(368)	(512,626)	2,160,559
Motor vehicles	3,014,816	366,871	-	(689,331)	2,692,356
Office equipment	4,944,339	2,621,952	(100,814)	(1,644,623)	5,820,854
Plant and equipment	720,957	221,340	(478)	(154,490)	787,329
	209,877,673	**3,384,249**	**(101,660)**	**(8,565,921)**	**204,594,341**

Reconciliation of property, plant and equipment - 2018

	Opening balance	**Additions**	**Disposals**	**Prior period adjustments**	**Depreciation**	**Total**
Land	8,103,054	-	-	-	-	8,103,054
Buildings	195,152,779	1,005,659	-	-	(5,563,398)	190,595,040
Furniture and fixtures	2,939,226	63,161	(1,980)	-	(500,940)	2,499,467
Motor vehicles	2,083,685	1,624,528	(115,372)	-	(578,025)	3,014,816
Office equipment	5,368,991	874,230	(30,571)	-	(1,268,311)	4,944,339
Plant and equipment	869,426	2,631	(3,635)	11,780	(159,245)	720,957
	214,517,161	**3,570,209**	**(151,558)**	**11,780**	**(8,069,919)**	**209,877,673**

Pledged as security

Carrying value of assets pledged as security for the DBSA loan (Refer to note 12):

	2019	2018
Land and buildings	190,890,648	196,423,812

Assets subject to finance lease (Net carrying amount)

	2019	2018
Office equipment	1,128,267	-

Refer to Appendix B for more detail on property, plant and equipment.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

9. Payables from exchange transactions

	2019	2018
Trade payables	7,205,342	5,478,123
Retentions	7,264,654	5,453,056
Other creditors	8,823,880	15,434,800
	23,293,876	**26,365,979**

10. Intangible assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	15,071,900	(11,182,321)	3,889,579	14,603,255	(10,069,472)	4,533,783

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	4,533,783	513,882	(7,739)	(1,150,347)	3,889,579

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Prior period adjustments	Amortisation	Total
Computer software	5,217,673	379,139	(8,572)	80,001	(1,134,458)	4,533,783

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

11. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	8,567,000	1,559,000	(498,456)	9,627,544
Leave provision	5,168,493	974,136	(287,009)	5,855,620
Post retirement benefits	20,030,000	817,000	-	20,847,000
Provision for performance bonuses	1,656,240	1,983,000	(1,938,304)	1,700,936
	35,421,733	**5,333,136**	**(2,723,769)**	**38,031,100**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	8,190,000	905,000	(528,000)	8,567,000
Leave provision	4,581,674	1,155,189	(568,370)	5,168,493
Post retirement benefits	20,791,000	-	(761,000)	20,030,000
Provision for performance bonuses	2,307,365	1,000,000	(1,651,125)	1,656,240
	35,870,039	**3,060,189**	**(3,508,495)**	**35,421,733**

	2019	2018
Non-current liabilities	29,556,544	27,818,000
Current liabilities	8,474,556	7,603,733
	38,031,100	**35,421,733**

Leave provision

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Provision for performance bonuses

Performance bonuses are being paid to Municipal Manager, managers and municipal staff after an evaluation of performance by the council.

Post retirement benefits

	2019	2018
Opening balance of defined benefits	20,030,000	20,791,000
Interest cost	2,106,000	2,357,000
Current service cost	1,580,000	1,800,000
Expected employer benefit payments	(343,000)	(223,000)
Actuarial gain	(2,526,000)	(4,695,000)
	20,847,000	**20,030,000**

Net expense recognised in Statement of Financial Performance

	2019	2018
Interest cost	2,106,000	2,357,000
Current service cost	1,580,000	1,800,000
Actuarial gain	(2,526,000)	(4,695,000)
	1,160,000	**(538,000)**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

11. Provisions (continued)

Long service awards

Opening balance of long service awards	8,567,000	8,190,000
Interest cost	866,000	815,000
Current service cost	1,092,000	928,000
Benefits paid	(498,456)	(528,000)
Actuarial gain	(399,000)	(838,000)
	9,627,544	**8,567,000**

Net expense recognised in Statement of Financial Performance

Interest cost	866,000	815,000
Current service cost	1,092,000	928,000
Actuarial gain	(399,000)	(838,000)
	1,559,000	**905,000**

Post retirement benefit

The municipality operates an accredited medical aid scheme. Employees who are not on a fixed contract participate in the post retirement medical assistance plan.

The post retirement assistance plan consisting of KeyHealth Medical Scheme (Keyhealth), LA Health Medical Scheme (LA Health) , Bonitas Medical Aid Fund (Bonitas), Hosmed Medical Scheme (Hosmed) and SAMWU National Medical Scheme (SAMWUMED). The members are entitled to a 60% retirement subsidy of the total contribution subject to a maximum of R 4,492 per month as from 1 July 2019.

These funds are subject to actuarial valuations. The last valuation was performed by an independent actuarial firm, Alexander Forbes, on 30 June 2019.

Long service awards

The municipality rewards it's employees who are in service for an unbroken period of 5 years and longer. Employees are entitled/awarded leave days equivalent to number of years served eg. 10 years of service, one gets 10 days of leave, which can either be taken as leave or to be paid out in cash.

The awards were subjected to actuarial valuation by an independent actuarial firm, Alexander Forbes, on 30 June 2019.

Provision for performance bonuses

Performance bonuses are awarded to permanent employees and fixed term contract employees subject to certain conditions being met.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

11. Provisions (continued)

Calculation of actuarial gains & losses

The following key assumptions were used at reporting date:

Post retirement benefits		
Discount rate	11.00%	10.60%
CPI Inflation	7.00%	7.00%
Rand Cap Inflation	8.00%	8.00%
Health Care Cost Inflation	9.00%	9.00%
Salary Inflation	8.00%	8.00%
Expected retirement age	65 years	65 years
Continuation members	8	7
In-service members	147	145
Long service awards		
Discount rate	8.60%	9.20%
Inflation rate	5,00%	5.90%
Salary Inflation	6.00%	6.90%
Members	167	163

12. Long term liabilities

At amortised cost		
DBSA loan	130,354,687	136,680,943

The municipality has one loan at DBSA during the period. Details of the loan are as follows:

DBSA - 61000886
Maturity date: 31/12/2029
Interest calculated at
11.12%

Non-current liabilities		
At amortised cost	123,341,089	130,355,083
Current liabilities		
At amortised cost	7,013,598	6,325,860

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

13. Finance lease obligation

Minimum lease payments due		
- within one year	566,322	-
- in second to fifth year inclusive	755,096	-
	1,321,418	-
less: future finance charges	(166,283)	-
Present value of minimum lease payments	**1,155,135**	**-**
Present value of minimum lease payments due		
- within one year	461,602	-
- in second to fifth year inclusive	693,533	-
	1,155,135	**-**
Non-current liabilities	693,533	-
Current liabilities	461,602	-
	1,155,135	**-**

The finance lease is for copiers with a lease term of three years and the average effecitve borrowing rate is 10.25%.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Government grants and subsidies

Government grant - Equitable Share	239,132,000	229,690,000
Government grant - Finance Management Grant	1,250,000	1,500,000
Government grant - Sector Education and Training Authority	213,993	184,321
Government grant - Barberton Mines (Pty) Ltd	-	147,375
Government grant - Department Roads & Transport	2,352,000	2,347,000
Government grant - Expanded Public Works Program Incentive	3,067,000	4,355,000
	246,014,993	**238,223,696**

National Treasury Finance Management Grant

Current-year receipts	1,250,000	1,500,000
Conditions met - transferred to revenue	(1,250,000)	(1,500,000)
	-	-

The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

National Department of Roads & Transport

Balance unspent at beginning of year	-	36,053
Current-year receipts	2,352,000	2,347,000
Conditions met - transferred to revenue	(2,352,000)	(2,347,000)
Paid back to National Treasury	-	(36,053)
	-	-

The purpose of this grant is to assist rural district municipalities to set up rural RAMS, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa.

Sector Education and Training Authority

Current-year receipts	213,993	184,321
Conditions met - transferred to revenue	(213,993)	(184,321)
	-	-

The purpose of the funds is for skills and capacity building within the municipality.

Expanded Public Works Program Incentive

Balance unspent at beginning of year	-	-
Current-year receipts	3,067,000	4,355,000
Conditions met - transferred to revenue	(3,067,000)	(4,355,000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Government grants and subsidies (continued)

The purpose of this grant is to incentivise provincial departments to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines:

- road maintenance and maintenance of buildings
- low traffic volume roads and rural roads
- other economic and social infrastructure
- tourism and cultural industries
- sustainable land based livelihoods
- waste management
- parks and beautification
- social services programs
- health services programs -

community safety programs -
basic services infrastructure

Barberton Mines (Pty) Ltd

	2019	2018
Balance unspent at beginning of year	-	147,375
Conditions met - transferred to revenue	-	(147,375)
	-	-

The purpose of the fund is to assist Small, Medium and Macro Enterprise development.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Employee related costs

Basic	83,421,628	74,448,746
Annual bonus	5,241,874	5,658,940
Medical aid - company contributions	5,863,279	5,399,329
UIF	378,407	364,917
SDL	1,017,395	960,888
Leave pay provision contribution	974,136	1,130,555
Post-employment benefits - pension - defined contribution plan	14,198,477	13,007,252
Travel allowances	15,503,832	14,109,310
Overtime payments	311,112	301,347
Acting allowances	531,987	1,326,771
Housing benefits and allowances	623,583	583,015
Bargaining council	18,516	16,901
	128,084,226	**117,307,971**

Remuneration of Municipal Manager - FS Siboza

Annual Remuneration	1,181,165	1,083,943
Car Allowance	336,000	336,000
Contributions to UIF, Medical and Pension Funds	288,358	191,507
		-
	1,805,523	**1,611,450**

Remuneration of Chief Financial Officer - W Khumalo (Resigned 31 August 2018)

Annual Remuneration	202,938	1,219,607
Car Allowance	56,000	336,000
Contributions to UIF, Medical and Pension Funds	49,448	298,257
Acting allowance	37,698	226,188
	346,084	**2,080,052**

Remuneration of Acting Chief Financial Officer - GN Dube (Acting till 13 March 2019)

Annual Remuneration	542,820	661,762
Car Allowance	124,227	154,800
Contributions to UIF, Medical and Pension Funds	111,188	140,241
Acting allowance	111,732	442,695
	889,967	**1,399,498**

Remuneration of Chief Financial Officer - PO Mokoena (Appointed 15 April 2019)

Annual Remuneration	180,633	-
Car Allowance	63,636	-
Contributions to UIF, Medical and Pension Funds	11,859	-
	256,128	**-**

General Manager: Corporate services - MH Shabangu (Resigned 3 November 2017)

Annual Remuneration	-	389,638
Car Allowance	-	108,000

Figures in Rand	2019	2018

15. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	-	65,461
Acting allowance	-	8,800
	-	**571,899**

General Manager: Corporate services - RS Makwakwa (Acting from 4 November 2017 to 30 April 2018. Appointed 1 May 2018)

Annual Remuneration	789,011	571,259
Car Allowance	240,000	117,400
Contributions to UIF, Medical and Pension Funds	182,548	156,938
Acting allowance	-	117,532
	1,211,559	**963,129**

General Manager: LED & Tourism - NP Mahlalela (Appointed 1 October 2017)

Annual Remuneration	854,066	580,100
Car Allowance	336,000	252,000
Performance Bonuses	104,201	84,260
Contributions to UIF, Medical and Pension Funds	225,027	152,911
	1,519,294	**1,069,271**

Acting General Manager: LED & Tourism - ML Nkosi (1 July 2017 to 30 September 2017)

Annual Remuneration	-	152,545
Car Allowance	-	38,700
Contributions to UIF, Medical and Pension Funds	-	45,501
Acting allowance	-	71,493
	-	**308,239**

General Manager: Technical services - TD Gogwane (Contract expired 31 May 2018)

Annual Remuneration	-	624,001
Car Allowance	-	187,000
Contributions to UIF, Medical and Pension Funds	-	149,665
Scarce skill allowance	-	117,153
Acting allowance	-	7,455
	-	**1,085,274**

Acting General Manager: Technical services - PG Du Toit (Acting from 1 June 2018 to 31 December 2018)

Annual Remuneration	329,329	51,395
Car Allowance	82,818	12,900
Contributions to UIF, Medical and Pension Funds	96,774	15,223
Acting allowance	39,074	6,735
	547,995	**86,253**

General Manager: Technical services - ND Malokela (Appointed 1 March 2019)

Annual Remuneration	212,874	-
Car Allowance	80,000	-
Contributions to UIF, Medical and Pension Funds	49,240	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Employee related costs (continued)

	342,114	**-**

General Manager: Municipal Health & Environment- ST Shabangu (Appointed 1 February 2018)

Annual Remuneration	804,300	248,966
Car Allowance	240,000	100,000
Performance Bonuses	73,768	81,192
Contributions to UIF, Medical and Pension Funds	166,583	56,725
Other	-	12,756
	1,284,651	**499,639**

Acting General Manager: Municipal Health & Environment- EMM Mahlalela (1 July 2017 to 31 January 2018)

Annual Remuneration	-	410,363
Car Allowance	-	90,300
Contributions to UIF, Medical and Pension Funds	-	85,236
Acting allowance	-	76,735
	-	**662,634**

General Manager: Public Safety & Disaster Management - HTM Nkosi (Acting from 1 July 2017 to 30 September 2017. Appointed 1 October 2017)

Annual Remuneration	761,845	631,896
Car Allowance	260,000	218,700
Contributions to UIF, Medical and Pension Funds	189,730	165,184
Acting allowance	-	50,484
	1,211,575	**1,066,264**

Salaries, allowances and benefits of Councillors as disclosed in note 16 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act.

Remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

16. Remuneration of councillors

Executive Mayor	1,047,528	970,600
Speaker	846,182	776,480
Councillors	7,889,977	7,741,130
Councillors’ pension contribution	871,624	833,712
Chief Whip	795,845	726,005
Councillors other allowances	4,522,683	4,495,949
	15,973,839	**15,543,876**

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and Speaker have the use of a council owned vehicles for official duties.

The Executive Mayor has a full-time bodyguard, a full-time driver and a full-time security guard at her residence, at the cost of the council. The Speaker has a full-time driver at the cost of the council.

Figures in Rand	2019	2018

16. Remuneration of councillors (continued)

Executive Mayor - Cllr J Sidell

Annual Remuneration	657,051	593,696
Car Allowance	251,682	242,002
Contributions to UIF, Medical and Pension Funds	138,795	134,902
	1,047,528	**970,600**

Speaker - Cllr RE Khumalo

Annual Remuneration	525,360	466,458
Car Allowance	201,345	193,601
Contributions to UIF, Medical and Pension Funds	119,477	116,421
	846,182	**776,480**

Chief Whip - Cllr ET Shabangu

Annual Remuneration	548,067	489,088
Car Allowance	188,761	181,501
Contributions to UIF, Medical and Pension Funds	59,017	55,416
	795,845	**726,005**

MMC Environmental Health - Cllr NC Hlophe (Resigned 31 March 2018)

Annual Remuneration	-	369,096
Car Allowance	-	136,126
Contributions to UIF, Medical and Pension Funds	-	39,281
	-	**544,503**

MMC Environmental Health - Cllr MR Shongwe (Appointed 1 April 2018)

Annual Remuneration	528,581	115,340
Car Allowance	188,761	45,375
Contributions to UIF, Medical and Pension Funds	78,503	20,786
Acting allowance	3,020	-
	798,865	**181,501**

MMC LED & Tourism - Cllr MJ Morema

Figures in Rand	2019	2018

16. Remuneration of councillors (continued)

Annual Remuneration	501,847	469,866
Car Allowance	188,761	181,501
Contributions to UIF, Medical and Pension Funds	105,237	76,583
	795,845	**727,950**

MMC Technical - Cllr M Nkuna

Annual Remuneration	537,798	472,810
Car Allowance	185,131	181,501
Contributions to UIF, Medical and Pension Funds	72,916	74,539
	795,845	**728,850**

MMC Social Services - Cllr MC Masilela (Resigned 20 May 2019)

Annual Remuneration	579,774	589,922
Car Allowance	35,502	40,322
Contributions to UIF, Medical and Pension Funds	90,376	97,706
	705,652	**727,950**

MMC Social Services - Cllr S Mashigo-Sekgobela (Appointed 1 June 2019)

Annual Remuneration	41,146	-
Car Allowance	15,730	-
Contributions to UIF, Medical and Pension Funds	9,444	-
	66,320	**-**

MMC Corporate Services - Cllr MJ Mavuso

Annual Remuneration	583,084	520,504
Car Allowance	188,761	181,501
Contributions to UIF, Medical and Pension Funds	24,000	24,000
Acting allowance	6,776	-
	802,621	**726,005**

MMC Finance - Cllr MJ Mnisi

Annual Remuneration	532,929	474,097
Car Allowance	188,761	181,501
Contributions to UIF, Medical and Pension Funds	74,155	70,407
	795,845	**726,005**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

16. Remuneration of councillors (continued)

MMC Disaster Management - Cllr TR Manyisa

Annual Remuneration	502,797	441,790
Car Allowance	185,131	181,501
Contributions to UIF, Medical and Pension Funds	107,917	104,659
	795,845	**727,950**

17. Depreciation and amortisation

Property, plant and equipment	8,565,921	8,069,919
Intangible assets	1,150,347	1,134,458
	9,716,268	**9,204,377**

18. Finance costs

Interest - other	3,016,207	3,172,185
Interest - finance leases	82,059	-
Interest - Development Bank of Southern Africa	15,039,213	15,687,765
	18,137,479	**18,859,950**

19. Repairs and maintenance

Buildings	1,858,590	1,872,452
Vehicles	690,422	324,023
Furniture and fittings	99,037	34,311
Plant and equipment	5,738	9,588
	2,653,787	**2,240,374**

20. Contracted services

Security services	1,236,018	1,266,785

21. Grants and subsidies

Nkomazi Local Municipality	465,000	5,622,742
Barberton Mines (Pty) Ltd	-	147,375
Department of Roads & Transport	1,942,957	1,960,735
EDM Own Funding	1,993,148	2,666,421
Mbombela Local Municipality	4,212,239	2,816,695
Thaba Chweu Local Municipality	5,949,728	5,462,824
Bushbuckridge Local Municipality	1,403,833	4,858,989
	15,966,905	**23,535,781**

22. Auditors' remuneration

Audit fees	2,820,971	2,400,114

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

23. Operational expenses

AIDS council	-	95,690
Audit Committee	336,575	385,494
Bank charges	66,771	77,024
Bursaries	672,868	598,187
Clean up campaigns	144,240	622,422
Community outreach	5,907,344	3,414,487
Conferences and seminars	146,877	169,671
Consulting and professional fees	3,966,237	2,790,499
Disaster management cost - centre	783,498	879,845
Disaster management operational cost	1,640,000	1,739,220
Electricity, water and rates	7,507,509	5,755,225
Entertainment	1,085,999	763,358
Fuel and oil	860,692	747,926
GIS operational costs	117,654	224,764
IDP review	544,483	447,848
IT expenses	5,212,300	4,408,198
Insurance	480,977	477,362
Lease rentals	137,800	330,480
Legal fees	680,653	851,208
Marketing	1,555,639	1,221,482
Municipal health operational cost	1,099,605	680,231
Other expenses	1,618,877	1,469,610
Other programs and campaigns	3,058,006	2,658,740
Postage and courier	8,177	7,609
Printing and stationery	2,220,570	2,224,413
Project maintenance costs	48,515	172,047
Protective clothing	105,898	75,700
Interface programme	-	243,544
Telephone and fax	1,605,120	1,384,090
Tourism development	1,849,109	468,729
Training	1,031,861	1,071,450
Travelling and subsistance	9,059,448	8,710,602
	53,553,302	**45,167,155**

24. Cash generated from operations

Surplus	11,743,463	18,772,137
Adjustments for:		
Depreciation and amortisation	9,716,268	9,204,377
Actuarial (gain)	(2,925,000)	(5,533,000)
(Gain) on fair value adjustments	(463,638)	(302,024)
Loss on disposal of assets	101,162	9,906
Finance costs - Finance leases	82,059	-
Provision for bad debts	281,243	-
Movements in provisions	5,534,367	(448,306)
Non-cash items	75,510	823,665
Insurance claims received	-	(150,223)
Changes in working capital:		
Inventories	(4,129,916)	(8,122,260)
Receivables from exchange transactions	(2,179,753)	(80,513)
Payables from exchange transactions	(3,072,105)	241,330
VAT	(702,046)	(514,038)
Unspent conditional grants and receipts	-	(183,428)
	14,061,614	**13,717,623**

25. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	2,194,519	-	2,194,519
Cash and cash equivalents	-	89,597,263	-	89,597,263
Investments	4,479,350	-	459,175	4,938,525
	4,479,350	**91,791,782**	**459,175**	**96,730,307**

Financial liabilities

	At amortised cost	Total
Long term liabilities	130,354,687	130,354,687
Trade and other payables from exchange transactions	23,293,876	23,293,876
Finance lease liability	1,155,135	1,155,135
	154,803,698	**154,803,698**

2018

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	296,009	-	296,009
Cash and cash equivalents	-	84,490,460	-	84,490,460
Investments	4,015,712	-	616,430	4,632,142
	4,015,712	**84,786,469**	**616,430**	**89,418,611**

Financial liabilities

	At amortised cost	Total
Long term liabilities	136,680,943	136,680,943
Trade and other payables from exchange transactions	26,365,979	26,365,979
	163,046,922	**163,046,922**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Commitments

Authorised expenditure

Already contracted for but not provided for		
• Property, plant and equipment	12,201,424	9,408,664
Not yet contracted for and authorised by accounting officer		
• Assistance to Thaba Chweu Local Municipality	-	866,140

Operating leases - as lessee

Minimum lease payments due		
- within one year	-	110,240

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

27. Contingencies

Contingent liabilities

1. Dumata Trading CC

This matter was inherited from the disestablished Bohlabela District Municipality and the plaintiff Dumata Trading CC is suing the municipality about R360 547 at the North Gauteng High Court for services rendered to Bohlabela. Pleadings have closed and plaintiff has to set the matter down for trial. Trial date has not been allocated yet for the hearing of this matter. The Attorneys of record advised that the Plaintiff have not acted further on the matter since the application of the trial date delivered on 3 February 2016.

2. Joint Municipal Pension Fund

The Joint Municipal Pension Fund is suing the municipality for contributions on pension fund of a former employee of the Municipality and was their member but left in 2007 after he volunteered to retire following the transfer of the ambulance services from the municipality to the Department of Health.

The amount claimed in this matter is estimated at R765 779.32. The main matter was set down and heard by Judge Skosana, leading to the municipality successfully defended this matter as Acting Judge Skosana ruled in favour of Ehlanzeni. A number of preliminary issues were raised by the municipality in defending the matter. The JMPF was not satisfied by the decision and opted to lodge an appeal. The appeal judges found that the JMPF may have the locus standi to deal with this matter, but the matter was referred back to the court to look into the other points that the initial court failed to pronounce itself on.

3. Antoinette Kolesky and other

The Plaintiffs are the registered owners of the Remaining Extent of Portion 9 of the Farm Draaikraal 48 ("herein after referred to as “the Property”), situated at Thaba Chweu Local Municipality within the jurisdiction of Ehlanzeni District Municipality.

The Plaintiffs instituted the action proceedings, following developments that were executed within the property without their consent, and further establishing a Human Settlement for the unlawful occupiers to move in to the property.

On or about the 14th February 2018, the Plaintiffs’ Attorneys of Record, addressed a letter to the Thaba Chweu Local Municipality, providing several options to resolve the illegal occupation, including but not limited to, that the Thaba Chweu acquire or expropriate the Plaintiffs’ Property at a market value, that the unlawful settlement occurred on the Plaintiffs’ Property be ignored when determining the market value of the Property for purposes of any expropriation or acquisition of the Property by the Defendants.

The matter could not be resolved at that time, and Thaba Chweu approached the Department of Human Settlements in Mpumalanga requesting assistance with buying the Property from the Plaintiff’s. The Defendants, after being served with Summons, held a meeting on the 24th of May 2019 to discuss a way forward in this matter, and a unanimous decision was taken not to proceed defending the matter.

A draft offer of settlement has been prepared and served to the Plaintiffs stating the intentions of the Co-Defendants, and the Plaintiff’s Attorneys have not yet responded.

4. LN Ngomane & 95 others

LN Ngomane, together with other Ninety-Five (95) employees of Ehlanzeni District Municipal officials who are participating in the motor vehicle scheme, lodged an application for referral of a dispute to the Local Government Bargaining Council, against the Municipality. The Applicants referred a matter of Unfair Labour Practice in terms of Section 186 (2) of the Labour Relations Act, regarding due to alleged failure of the Municipality to comply with the collective agreement by not effecting increments in the motor vehicle benefit.

The matter was set down for Conciliation and heard on 17 May 2019, before Commissioner ZG Mpungose at the Bargaining Council Offices in Centurion.

Figures in Rand	2019	2018

27. (continued)

The Municipality as respondents opposed the matter and raised preliminary issues pertaining to jurisdictional challenge against the dispute as referred by the Employees for the Bargaining Council to hear the matter.

The commissioner in her decision found that the South African Local Government Bargaining Council does have the jurisdiction to hear the matter.

28. Fruitless and wasteful expenditure

	2019	2018
Opening balance	-	-
Current year	125,147	1,181
Written off by Council	-	(1,181)
	125,147	**-**

The fruitless and wasteful expenditure for the current year relates to the payment of course fees with a value of R80,949. The matter is to be referred to MPAC for investigation.

The fruitless and wasteful expenditure for the current year relates to interest paid with a value of R 44,198.

29. Irregular expenditure

	2019	2018
Opening balance	1,529,233	368,220
Add: Irregular Expenditure - current year	1,481,565	1,356,445
Add: Irregular Expenditure - 2016/2017 financial year	-	284,140
Less: Amounts written off	-	(479,572)
	3,010,798	**1,529,233**

Details of irregular expenditure

The irregular expenditure relates to the appointment of a service provider to conduct capacity building training on IDP consultation with a value of R180,000. The irregular expenditure also relates to non-compliance with the Department of Trade and Industry local content disclosure requirements on the bid advertisements as per the Preferential Procurement Act with a value of R1,301,565. These matters are to be referred to MPAC for investigation.

30. Risk management

Financial risk management

Exposure to interest rate, liquidity and credit risks arises in the normal course of the Municipality's operations. The municipality has established a risk management committee, which is responsible for developing and monitoring the municipality's risk management policies. The risk management policies are established to identify and analyse the risks faced by the municipality, to set up risk limits and controls and to monitor risks and adherence to limits. Risk management policies are to be reviewed regularly to reflect changes in the municipality's activities.

Notes to the Annual Financial Statements

30. Risk management (continued)

Liquidity risk

Ehlanzeni District Municipality manages its liquidity risks by effectively managing its working capital, capital expenditure and external borrowings. Standby credit facilities in the form of an R20,000,000 bank overdraft facility has been negotiated with the main banker and provisionally approved. The overdraft facility will cater for any unexpected temporary shortfall in operating funds.

At 30 June 2019	Less than 1 year	Between 1 and 5 years		
Long term borrowings	7,013,598	123,341,089		
Payables from exchange transactions	23,293,876	-		
Finance lease liability	461,602	693,533	-	-

At 30 June 2018	Less than 1 year	Between 1 and 5 years
Long term borrowings	6,325,860	130,355,083
Payables from exchange transactions	26,365,979	-

Credit risk

Ehlanzeni District Municipality manages its credit risk in its borrowing and investing activities by dealing with the A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with the approved cash and investment policy as was approved by council.

Management evaluated credit risk relating to receivables from exchange transactions on an ongoing basis. If receivables from exchange transactions are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivables, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Cash and cash equivalents	89,597,263	84,490,460
Non current investments	4,479,350	4,015,712
Current investments	459,175	616,430
Receivables from exchange transactions	2,194,519	296,009

Interest rate risk

Ehlanzeni District Municipality is not exposed to any interest rate risks on its financial liabilities. As at the end of the financial year, 30 June 2019, Ehlanzeni District Municipality had only one fixed interest bearing loan with the Development Bank of Southern Africa (DBSA) as reflected in APPENDIX A. It should be noted that the interest in this loan is fixed until maturity. Similarly, with financial assets, Ehlanzeni District Municipality invests its surplus funds not immediately required in a fixed interest rate deposit with the A+ rated banks for fixed terms not exceeding one year.

31. Related parties

Relationships

Members of key management & councillors	See note 15 and 16.

32. Interest received

External investment	8,568,988	9,288,323

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

33. Change in estimate

Property, plant and equipment and Intangible assets

The estimated useful life of assets in certain classes of Property, Plant and Equipment and Intangible Assets were assessed during the current financial year. In the current financial year management have extended their estimated useful lives. The effect of this revision has decreased the depreciation and amortisation charges for the current period and increased for future periods by R 630 038.

The impact on Intangible assets due to the extension of their useful lives is R 94 701.

The impact on Property, plant and equipment due to the extension of their useful lives is R 535 337.

34. Revenue

	2019	2018
Operational income	1,770,637	620,132
Rental of facilities and equipment	382,361	208,292
Interest received	8,568,988	9,288,323
Dividends received	143,046	132,959
Government grants & subsidies	246,014,993	238,223,696
	256,880,025	**248,473,402**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2019	2018
Operational income	1,770,637	620,132
Rental of facilities and equipment	382,361	208,292
Interest received	8,568,988	9,288,323
Dividends received	143,046	132,959
	10,865,032	**10,249,706**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

	2019	2018
Government grants & subsidies	246,014,993	238,223,696

35. Events after the reporting date

No events after the reporting date were identified by management that require adjustment to the balances at reporting date or additional disclosure.

36. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2019	2018
Membership fee SALGA	1,322,508	1,154,632

PAYE, UIF and SDL

	2019	2018
Amount paid - current year	25,320,263	23,798,209

Pension and Medical Aid Deductions

	2019	2018
Amount paid - current year	32,917,925	30,433,229

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

36. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT received - current year	8,737,211	7,319,037

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

37. Deviations i.t.o section 36 of Supply Chain Management Policy

Name	Reason	Amount
AC Braby (Pty) Ltd	Impractical	7,504
Adapt It (Pty) Ltd	Single supplier	60,773
Aqualitic Laboratory & Environmental Services	Impractical	5,738
Aqualitic Laboratory & Environmental Services	Impractical	86,880
Aqualitic Laboratory & Environmental Services	Impractical	17,885
Association of Municipal Electrical Utilities	Impractical	1,000
Auditor General of South Africa	Impractical	440,211
Business Connexion (Pty) Ltd	Single supplier	766,218
Cancer Association of South Africa	Impractical	750
Chartered Institute of Government Finance, Audit and Risk Officers	Impractical	5,087
Chartered Institute of Government Finance, Audit and Risk Officers	Impractical	1,226
Chartered Institute of Government Finance, Audit and Risk Officers	Impractical	10,174
Chartered Institute of Government Finance, Audit and Risk Officers	Impractical	5,087
Chartered Institute of Government Finance, Audit and Risk Officers	Impractical	5,087
Chartered Institute of Government Finance, Audit and Risk Officers	Impractical	10,174
Chartered Institute of Government Finance, Audit and Risk Officers	Impractical	5,087
Chartered Institute of Government Finance, Audit and Risk Officers	Impractical	20,296
Chartered Institute of Government Finance, Audit and Risk Officers	Impractical	6,765
Chartered Institute of Government Finance, Audit and Risk Officers	Impractical	7,151
Chartered Institute of Government Finance, Audit and Risk Officers	Impractical	33,143
Conbiz and IT Tech Institute (Pty) Ltd	Impractical	8,499
Consas Foundation NPC	Impractical	19,552
Contact Media and Communications	Single supplier	39,800
CTP Limited t/a Lowveld Media	Impractical	3,874
CTP Limited t/a Lowveld Media	Impractical	7,083
CTP Limited t/a Lowveld Media	Impractical	12,198
CTP Limited t/a Lowveld Media	Impractical	6,204
CTP Limited t/a Lowveld Media	Impractical	27,907
CTP Limited t/a Lowveld Media	Impractical	29,744
CTP Limited t/a Lowveld Media	Impractical	12,198
CTP Limited t/a Lowveld Media	Impractical	29,378
CTP Limited t/a Lowveld Media	Impractical	4,257
CTP Limited t/a Lowveld Media	Impractical	3,874
CTP Limited t/a Lowveld Media	Impractical	6,826
CTP Limited t/a Lowveld Media	Impractical	29,378
CTP Limited t/a Lowveld Media	Impractical	4,091
CTP Limited t/a Lowveld Media	Impractical	21,649
CTP Limited t/a Lowveld Media	Impractical	4,149
CTP Limited t/a Lowveld Media	Impractical	12,198
CTP Limited t/a Lowveld Media	Impractical	24,950
CTP Limited t/a Lowveld Media	Impractical	5,872
Dira Sengwe Conferences CC	Impractical	15,000
Dira Sengwe Conferences CC	Impractical	5,000
Dira Sengwe Conferences CC	Impractical	4,348
Dira Sengwe Conferences CC	Impractical	4,783
Disaster Management Institute of Southern Africa	Impractical	16,600
Disaster Management Institute of Southern Africa	Impractical	24,900
Disaster Risk Management (Pty) Ltd	Impractical	18,850

Notes to the Annual Financial Statements

Figures in Rand		2019	2018

37. Deviations i.t.o section 36 of Supply Chain Management Policy (continued)

Disaster Risk Management (Pty) Ltd	Impractical	18,850	
Ditsibi Publishers	Impractical	10,500	
Dr. S Koma	Single supplier	4,977	
Engineering Council of South Africa	Impractical	3,643	
Engineering Council of South Africa	Impractical	3,643	
Environmental Systems Research Institute SA	Impractical	6,200	
Environmental Systems Research Institute SA	Impractical	15,900	
Federated Management Institute (Pty) Ltd	Impractical	15,980	
First Coast Technologies (Pty) Ltd	Single supplier	15,488	
Genesis Training (Pty) Ltd	Impractical	9,995	
Geocline Consulting	Impractical	120,000	
Geo-information Society of South Africa	Impractical	2,475	
Gijima Holdings (Pty) Ltd	Impractical	6,043	
Glaudina Kruger t/a National Wetlands Indaba 2018	Impractical	4,174	
Global Prospectus Development Institute	Impractical	8,990	
Health Professions Council of SA	Impractical	1,442	
Health Professions Council of SA	Impractical	25,113	
Health Professions Council of SA	Impractical	1,322	
Health Professions Council of SA	Impractical	1,322	
Highbury Safika Media (Pty) Ltd	Impractical	28,000	
HTI Solutions (Pty) Ltd	Impractical	6,995	
HTI Solutions (Pty) Ltd	Impractical	13,990	
Impala Plumbing Electric & Maintenance	Emergency	25,332	
Imperial Group (Pty) Ltd	Impractical	38,081	
Institute of Municipal Engineering of Southern Africa	Impractical	18,261	
Institute of Municipal Personnel Practitioners of SA	Impractical	8,900	
Intelligence Transfer Centre CC	Impractical	17,998	
Jonti Tenders (Pty) Ltd	Impractical	19,607	
Jonti Tenders (Pty) Ltd	Impractical	35,054	
Kone Elevators SA (Pty) Ltd	Impractical	2,800	
Kruger Lowveld Chamber of Business & Tourism	Impractical	70,000	
Leadership Academy for Guardians of Governance	Impractical	13,525	
Leadership Academy for Guardians of Governance	Impractical	9,016	
Lexis Nexis (Pty) Ltd	Impractical	710	
Lexis Nexis (Pty) Ltd	Impractical	6,696	
Managed Integrity Evaluations	Impractical	290	
Mandarina Trading 15 CC t/a Creative Solutions	Impractical	69,565	
Media 24 (Pty) Ltd	Impractical	12,000	
MERCK (Pty) Ltd	Impractical	8,161	
MERCK (Pty) Ltd	Single supplier	17,756	
Micromath Trading 154 CC	Impractical	1,693	
Mike and Ian Consulting (Pty) Ltd	Impractical	9,200	
Moses Mkhabela Clinical Pshycologist	Emergency	9,899	
Moses Mkhabela Clinical Pshycologist	Emergency	9,899	
Mpumalanga NCFR Hub NPC	Impractical	51,200	
Mpumelelo Global Impact Projects	Impractical	8,499	
Multichoice Africa (Pty) Ltd	Single supplier	12,184	
Nikiwe Jannepher Mathebula	Impractical	2,500	
Nikiwe Jannepher Mathebula	Impractical	2,500	
Nikiwe Jannepher Mathebula	Impractical	2,500	
Nikiwe Jannepher Mathebula	Impractical	2,500	
Nkomazi FM Radio	Impractical	30,000	
Nondlala Consulting	Single supplier	8,000	
Nondlala Consulting	Single supplier	9,000	
Payday Software Systems (Pty) Ltd	Impractical	19,315	
Payday Software Systems (Pty) Ltd	Impractical	9,360	
Payday Software Systems (Pty) Ltd	Impractical	15,125	
Payday Software Systems (Pty) Ltd	Impractical	4,865	
Payday Software Systems (Pty) Ltd	Single supplier	130,812	
Profounder Intelligence Management Services	Impractical	7,999	

Notes to the Annual Financial Statements

Figures in Rand		2019	2018

37. Deviations i.t.o section 36 of Supply Chain Management Policy (continued)

Pronto Computer Solution	Impractical	32,144	
Rise FM	Impractical	43,513	
Rosina Florence Mahlangu	Impractical	2,500	
South African Local Government Association	Impractical	1,950	
South African Local Government Association	Impractical	8,000	
Forest Fair Twenty Two CC t/a Sasol Nelspruit	Impractical	16,188	
Forest Fair Twenty Two CC t/a Sasol Nelspruit	Impractical	31,695	
Forest Fair Twenty Two CC t/a Sasol Nelspruit	Impractical	7,511	
South African Broadcasting Corporation	Impractical	2,074	
South African Geomatics Council	Impractical	2,374	
South African Geomatics Council	Impractical	974	
South African Institute of Environmental Health	Impractical	12,000	
South African Institute of Occupational Health & Safety	Impractical	3,950	
South African Institute of Professional Accountants	Impractical	5,132	
South African Institute of Professional Accountants	Impractical	5,132	
South African Monitoring and Evaluation Association	Impractical	9,500	
South African Municipal Sports & Recreation Association	Impractical	6,000	
South African Planning Institute	Impractical	8,261	
South African Institute of Learning	Impractical	17,217	
Swaziland International Trade Fair	Impractical	52,342	
Synergy Business Events (Pty) Ltd	Impractical	80,668	
Synergy Business Events (Pty) Ltd	Impractical	980	
The Institute of Internal Auditors of South Africa	Impractical	9,565	
The Institute of Internal Auditors of South Africa	Impractical	16,607	
The Institute of Internal Auditors of South Africa	Impractical	1,087	
The Institute of Internal Auditors of South Africa	Impractical	21,500	
Twain 2 (Pty) Ltd	Emergency	69,394	
Unics Technologies Nelspruit CC	Impractical	1,922	
Van Wetten's Breakdown Service (Pty) Ltd	Impractical	850	
Voice of Hope Izwi Lethemba NPC	Impractical	50,000	
Wits School of Governance	Impractical	30,500	
Wolters Kluwer t/a Team Mate	Impractical	11,746	
		3,508,518	

38. Budget differences

Material differences between budget and actual amounts

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Variances in excess of 10% is considered significant and therefore explanations are provided below:

38.1 Other income

Approval of new Municipal Health Tarrif structure increased revenue during the year. Projects impemented as an agent on behalf of Department of Water and Sanitation resulted in increase of cash receipts.

38.2 Rental of facilities and equipment

Contract entered into with new tenant at higher rates than originally anticipated.

38.3 Interest Received

More interest received due to short term deposits made during the year at higher interest rates.

38.4 Employee related costs

Cost curtailment - less appointments were made on budgeted new positions.

38.5 Audit fees

Less time spent by Auditor General during audit process resulted in lower fees payable.

38.6 Depreciation and amortisation

Budget includes expenditure not incurred and depreciation variances due to the review of useful lives of assets as per GRAP 17 par 56.

38.7 Finance costs

Implementation of GRAP 25 - Actuarial valuations.

38.8 Repairs and maintenance

Due to SCM procedural processes a building repairs contractor ws only appointed during June 2019 and will be on site in the new financial year.

38.9 Contracted services

New contract entered into for security services during the financial year.

38.10 Grants and subsidies & Work in progress Inventories

A later start to projects than anticipated resulted in uncompleted work carried forward as work in progress.

38.11 General expenses

Savings as a result of cost curtailment measures implemented by council during the latter part of the year under review.

38.12 Investments

Increase in the share price which resulted in a increase of the fair value of Sanlam shares. All cash investments matured by 30 June 2018.

38.13 VAT Receivable

VAT refunds from SARS not received at year end.

38.14 DBSA loan repayment

Paid lower amount on interest and higher amount on capital portion outstanding.

Figures in Rand	2019	2018

38.15 Payables from exchange transactions

Payments made to local municipalities during the year.

38.16 Accumulated surplus

Surplus realised in the current year due to cost curtailment measures implemented.

38.17 Purchase of Property, Plant and Equipment and Intangible Assets

Budget for Property, Plant and Equipment and Intangible assets purchased included in capital budget.

38.18 Finance lease

The rental lease contract of copiers is classified as a finance lease in accordance with GRAP 13.

38.19 Receivables from exchange transactions

Municipality acting as implementing agent for Department of Water and Sanitation. Receivables relates to retention monies on the project.

38.20 Loss on disposal of assets

Disposal of assets below net carrying value.

38.21 Cash and cash equivalents

Opening balance exceeded the budget and was further increased by net cash flows in 2019, where costs were contained and projects underspent.

38.22 Provisions

Reclassification between current liabilities and non-current liabilities not budgeted for.

38.23 Other payments

Projects impemented as an agent on behalf of Department of Water and Sanitation resulted in increase of cash payments to suppliers.

39. Agency fees

The municipality acts as an agent for the National Department of Roads and Transport during the implementation of the Rural Road Asset Managent System grant project. The municipality receives a 5% agency fee for it services. The amount received during the current period included in non-exchange revenue is R 117 600. Refer to note 14.

Appendix A

Schedule of external loans as at 30 June 2019

	Balance at 30 June 2018 Rand	Received during the period Rand	Redeemed / written off during the period Rand	Balance at 30 June 2019 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of Southern Africa						
DBSA - 61000886 Maturity date: 31/12/2029 Interest calculated at 11.12%	136,680,943	-	6,326,256	130,354,687	190,890,648	-
	136,680,943	**-**	**6,326,256**	**130,354,687**	**190,890,648**	**-**
Total external loans						
Development Bank of Southern Africa	136,680,943	-	6,326,256	130,354,687	190,890,648	-
	136,680,943	**-**	**6,326,256**	**130,354,687**	**190,890,648**	**-**

Appendix B

Analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation				Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Prior period adjustments Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings										
Land	8,103,054	-	-	**8,103,054**	-	-	-	-	**-**	8,103,054
Buildings	234,900,729	-	-	**234,900,729**	(44,305,689)	-	-	(5,564,851)	**(49,870,540)**	185,030,189
	243,003,783	**-**	**-**	**243,003,783**	**(44,305,689)**	**-**	**-**	**(5,564,851)**	**(49,870,540)**	**193,133,243**
Other assets										
Plant & equipment	2,733,713	221,340	(2,450)	**2,952,603**	(2,012,758)	1,974	-	(154,490)	**(2,165,274)**	787,329
Furniture & Fittings	9,631,262	174,086	(3,158)	**9,802,190**	(7,131,794)	2,789	-	(512,626)	**(7,641,631)**	2,160,559
Computer equipment	26,648,469	2,621,953	(580,742)	**28,689,680**	(21,704,129)	479,926	-	(1,644,623)	**(22,868,826)**	5,820,854
Motor vehicles	6,799,184	366,870	-	**7,166,054**	(3,784,367)	-	-	(689,331)	**(4,473,698)**	2,692,356
	45,812,628	**3,384,249**	**(586,350)**	**48,610,527**	**(34,633,048)**	**484,689**	**-**	**(3,001,070)**	**(37,149,429)**	**11,461,098**
Total property plant and equipment	**288,816,411**	**3,384,249**	**(586,350)**	**291,614,310**	**(78,938,737)**	**484,689**	**-**	**(8,565,921)**	**(87,019,969)**	**204,594,341**
Intangible assets										
Computer software	14,603,255	513,882	(45,237)	**15,071,900**	(10,069,471)	37,497	-	(1,150,347)	**(11,182,321)**	3,889,579
	14,603,255	**513,882**	**(45,237)**	**15,071,900**	**(10,069,471)**	**37,497**	**-**	**(1,150,347)**	**(11,182,321)**	**3,889,579**

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation					Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Prior period adjustments Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Municipality												
Chief Whip	148,993	-	-	-	**148,993**	(111,717)	-	-	-	(8,016)	**(119,733)**	29,260
Corporate Services	253,081,413	990,373	-	(246,753)	**253,825,033**	(52,368,391)	-	195,121	-	(6,154,611)	**(58,327,881)**	195,497,152
Disaster management	24,756,206	263,360	-	92,749	**25,112,315**	(20,682,589)	-	(120,193)	-	(970,229)	**(21,773,011)**	3,339,304
Executive Mayor	2,486,711	242,607	-	(20,439)	**2,708,879**	(1,198,941)	-	3,416	-	(368,079)	**(1,563,604)**	1,145,275
Finance and SCM	12,582,973	943,686	(606,508)	949,411	**13,869,562**	(8,172,856)	504,855	(675,504)	-	(1,186,387)	**(9,529,892)**	4,339,670
Internal Audit	175,865	-	-	-	**175,865**	(125,706)	-	-	-	(11,407)	**(137,113)**	38,752
LED and Tourism	1,177,902	308,596	-	(55,371)	**1,431,127**	(760,620)	-	38,047	-	(143,649)	**(866,222)**	564,905
Municipal Health	2,935,614	309,036	-	(88,220)	**3,156,430**	(1,848,435)	-	110,332	-	(248,272)	**(1,986,375)**	1,170,055
Municipal Manager	2,398,464	217,601	(9,200)	(187,153)	**2,419,712**	(1,549,773)	8,862	39,285	-	(195,789)	**(1,697,415)**	722,297
Rural Development	210,020	-	-	(25,873)	**184,147**	(149,618)	-	19,499	-	(12,095)	**(142,214)**	41,933
Social and Transversal Issues	683,063	23,719	-	(25,090)	**681,692**	(364,408)	-	12,906	-	(59,989)	**(411,491)**	270,201
Speaker	1,707,721	407,972	-	(405,434)	**1,710,259**	(883,877)	-	378,067	-	(253,656)	**(759,466)**	950,793
Technical Services	1,074,721	191,181	(15,879)	12,173	**1,262,196**	(791,276)	8,468	(976)	-	(104,089)	**(887,873)**	374,323
	303,419,666	**3,898,131**	**(631,587)**	**-**	**306,686,210**	**(89,008,207)**	**522,185**	**-**	**-**	**(9,716,268)**	**(98,202,290)**	**208,483,920**

Appendix D

Segmental Statement of Financial Performance for the year ended 30 June 2019

Current Year				Prior Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
-	5,725,874	(5,725,874)	Office Executive Mayor	-	4,142,544	(4,142,544)
-	3,459,890	(3,459,890)	Office Rural Development	-	3,791,959	(3,791,959)
-	20,684,581	(20,684,581)	Office of the Speaker	-	18,273,384	(18,273,384)
-	9,008,683	(9,008,683)	Mayoral Committee	-	8,197,835	(8,197,835)
-	18,491,575	(18,491,575)	Office Municipal Manager	-	18,768,562	(18,768,562)
256,880,025	76,735,314	180,144,711	Finance	254,308,426	78,530,312	175,778,114
-	40,847,918	(40,847,918)	Corporate services	-	39,116,093	(39,116,093)
-	6,448,924	(6,448,924)	Technical Services	-	6,651,697	(6,651,697)
-	19,648,453	(19,648,453)	Municipal Health and Environment	-	17,308,098	(17,308,098)
-	1,260,507	(1,260,507)	Office Chief Whip	-	1,407,647	(1,407,647)
-	3,012,286	(3,012,286)	Internal Audit	-	2,906,346	(2,906,346)
-	3,127,840	(3,127,840)	Transversal Issues	-	2,940,380	(2,940,380)
-	18,286,266	(18,286,266)	LED and Tourism	-	16,430,452	(16,430,452)
-	18,398,451	(18,398,451)	Disaster Management and Public Safety	-	17,070,980	(17,070,980)
256,880,025	**245,136,562**	**11,743,463**		**254,308,426**	**235,536,289**	**18,772,137**

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2019

	Current year 2019 Act. Bal. Rand	Current year 2019 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Operational income	1,770,637	1,300,000	470,637	36.2	Refer to note 38
Rental of facilities and equipment	382,361	262,451	119,910	45.7	Refer to note 38
Interest received	8,568,989	6,500,000	2,068,989	31.8	Refer to note 38
Dividends received	143,046	140,000	3,046	2.2	
Government grants & subsidies	246,014,992	245,801,000	213,992	0.1	
	256,880,025	254,003,451	2,876,574	1.1	
Expenses					
Employee related cost	(128,084,225)	(132,174,685)	4,090,460	(3.1)	
Remuneration of councillors	(15,973,839)	(16,422,366)	448,527	(2.7)	
Audit fees	(2,820,971)	(3,354,000)	533,029	(15.9)	Refer to note 38
Depreciation and amortisation	(9,716,268)	(12,141,399)	2,425,131	(20.0)	Refer to note 38
Amortisation	-	-	-	-	
Provision for bad debts	(281,243)	(9,000)	(272,243)	,024.9	
Finance costs	(18,137,479)	(14,894,740)	(3,242,739)	21.8	Refer to note 38
Repairs and maintenance	(2,653,787)	(4,307,489)	1,653,702	(38.4)	Refer to note 38
Contracted services	(1,236,018)	(1,453,485)	217,467	(15.0)	Refer to note 38
Grants and subsidies paid	(15,966,905)	(27,163,209)	11,196,304	(41.2)	Refer to note 38
Operational expenses	(53,553,303)	(60,545,252)	6,991,949	(11.5)	Refer to note 38
	(248,424,038)	(272,465,625)	24,041,587	(8.8)	
Other revenue and costs					
Loss on disposal of assets	(101,162)	-	(101,162)	-	Refer to note 38
Gain on fair value adjustments	463,638	-	463,638	-	Refer to note 38
Actuarial gain	2,925,000	-	2,925,000	-	Refer to note 38
	3,287,476	-	3,287,476	-	
Net surplus/ (deficit) for the year	11,743,463	(18,462,174)	30,205,637	(163.6)	

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2019

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Chief Whip	-	-	-	**-**	
Corporate Services	471,361	500,000	28,639	**6**	
Disaster Management	263,360	300,000	36,640	**12**	
Executive Mayor	87,338	100,000	12,662	**13**	
Finance & SCM	788,417	1,136,609	348,192	**31**	
Internal Audit	-	-	-	**-**	
LED & Tourism	153,327	200,000	46,673	**23**	
Municipal Health	309,036	350,000	40,964	**12**	
Municipal Manager	62,332	150,000	87,668	**58**	
Planning Department	-	-	-	**-**	
Rural Develpment	-	-	-	**-**	
Social & Transversial Issues	23,719	25,000	1,281	**5**	
Speaker	252,703	300,000	47,297	**16**	
Technical Services	35,912	150,000	114,088	**76**	
Mayoral Committee	-	-	-	**-**	
	-	-	-	**-**	
	2,447,505	**3,211,609**	**764,104**	**24**	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Equitable Share	99,638,000	79,711,000	59,783,000	-	59,783,000	59,783,000	59,783,000	59,783,000	Yes
Finance Management Grant	1,250,000	-	-	-	312,500	312,500	312,500	312,500	Yes
National Department of Roads	1,646,000	-	706,000	-	-	832,957	555,123	963,920	Yes
Sector Education and Training Authority	-	-	-	213,993	53,498	53,498	43,498	53,499	Yes
Expanded Public Works Program Incentive	767,000	1,380,000	920,000	-	766,750	766,750	766,750	766,750	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	103,301,000	81,091,000	61,409,000	213,993	60,915,748	61,748,705	61,460,871	61,879,669	